THE ANNUAL FINANCIAL STATEMENTS

FOR

IMPENDLE LOCAL MUNICIPALITY

FOR THE YEAR ENDED

30 JUNE 2006

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GENERAL INFORMATION

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

Auditor General

BANKERS

Standard Bank of South Africa

REGISTERED OFFICE

P.O. BOX 75
IMPENDLE
3227

21 MAFAHLENI STREET
IMPENDLE
3227

TELEPHONE: 033-996 0771
FAX : 033-996 0852

ACTING MUNICIPAL MANAGER

Mr. M.P.J. BHENGU

DATE:

MEMBERS OF THE IMPENDLE MUNICIPAL COUNCIL

WARD COUNCILLORS

1 E.S. Ndlovu
2 S M Makhaye
3 K.M. Dlamini
4 M.M. Cekwane
5 C.D. Gwala
6 E.B. Madlala
7 T R Mncube

HER WORSHIP, THE MAYOR

Councillor: SM. Makhaye

APPROVAL OF THE FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 6 to 21 were approved by the Acting Municipal Manager on the 2 October 2006, and approved by council on the _____

ACTING MUNICIPAL MANAGER

DATE: 02 - 10 - 2006

MAYOR

DATE: 02 - 10 - 2006

ACTING CHIEF FINANCIAL OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2005

The Annual Financial Statements as well as the Statistical Returns for the year ended 30 June 2006 are appended.

REVIEW OF OPERATIONS

1. OPERATING RESULTS

Details of the operating results are included in appendices D and E. The year's operations resulted in an operating surplus of **R 1 685 718**, no internal contrbutions were made to the following fund:

Contributions to Capital Development Fund **R 0**

A budgeted surplus of **R 2 928 976** was estimated, compared with the actual operating surplus of **R 1 685 718**

2. ACCUMULATED FUNDS

The accumulated surplus as at 30 June 2006 is **R 1 244 373**

3. CASH RESOURCES AND ACCUMULATED FUNDS

The portion of Statutory Funds required to be invested at 30 June 2006 was **R 681 608** made up as follows:

Capital Development Fund	Note 15	**R 538 889**
Public Improvemenet Fund	Note 16	**R 142 719**

Investments totalled **R 22 914** at 30 June 2006, accordingly there was insufficient cash resources at 30 June 2006.

4. DEBTORS

Current debtors decreased from **R 3 803 065** as at 30 June 2005 to **R 2 524 205** as at 30 June 2006

DATE: 2 October 2006

ACCOUNTING POLICIES

BASIC OF PRESENTATION

1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurer's and Accountants in its code of Practice (1992) and report on the Standardization of Financial Statements of Local Authorities (2nd Edition, January 1996, as amended).

1.2 The financial statement are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in the accounting policy note three.

1.3 The financial statements are prepared on the accrual basis:
Income is accrued when collected and measurable and available to finance expenditure known expenditure to date of prepararion of the financial statements is accrued in the year it is incurred.

2 CONSOLIDATION

The balance sheet includes the Rates and General Service, the different Funds, Reserves and Provisions.

3 FIXED ASSETS

3.1 Fixed assets are stated:
at historical costs, and/ or
at valuation (based on the market price at the date of question), where assets have been acquired by grant or donation.
While in existence or fit for use.

3.2 DEPRECIATION

The balance against the heading "Loans redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances, the various council funds may be acquired through:

Appropriations from income where the full cost of the asset forms an immediate and direct charge operating income, and therefore it is unnecessary to make any further provision for depreciation.

Grant and a donation, where the amount representing the value of such grant is immediately credited to the "Loans Redeemed and other Capital Receipts" account.

3.3 All net proceeds from sale of fixed assets are credited to the Public Improvement Fund
Net proceeds from sale of all fixed assets are credited to the Capital Development Fund.

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the time that the advance is made.

FUNDS

4.1 Capital Development Fund
The Local Authorities Ordinance 1974 (25 of 1974) requires a minimum contribution of 3.0 percent of the defined income of a local authority. The fund is used to finance capital expenditure, and the surplus funds are invested.

"ACCOUNTING POLICIES CONTINUED"

5. INVESTMENTS

Investments are shown at cost and are in securities prescribed in Section 125 of Ordinance 25 of 1974.

6. PROVISIONS

6.1 AUDIT FEES

The provision balance is stated at the estimated cost at the end of the year.

6.2 ACCOUNTING FEES

The provision balance is stated at the estimated cost at the end of the year.

6.3 SALARIES (Leave PayProvision)

The provision balance is stated at the estimated cost due to the estimated number of leave days due at year end.

7. INCOME RECOGNITION

7.1 ASSESSMENT RATES

Assessment rates are levied on land, dwellings and business buildings only and the rates used are appoved by Council during the budget process.

7.2 INTEREST INCOME

Interest is recognised when received.

BALANCE SHEET AS AT 30 JUNE 2006

	Notes	2006	2005
CAPITAL EMPLOYED			
FUNDS AND RESERVES		681,608	681,608
Statutory Funds	1	681,608	681,608
Reserves			
Retained Income	11	1,244,374	(306,806)
		1,925,982	374,802
EMPLOYMENT OF CAPITAL			
Fixed Assets	2	-	-
Investments	3	22,914	165,363
		22,914	165,363
NET CURRENT ASSETS		1,903,068	209,439
CURRENT ASSETS		5,955,361	3,987,513
Debtors	4	2,524,205	3,803,065
Cash		3,431,156	184,448
CURRENT LIABILTIES		4,052,293	3,778,074
Provisions	5	620,273	428,063
Overdraft			
Creditors	6	3,432,020	3,350,011
		1,925,982	374,802
		(0)	-

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ Deficit R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ Deficit R	2006 Budget Surplus/ Deficit R
			RATES AND GENERAL				
6,407,051	6,614,114	927,100	**SERVICES**	8,060,118	6,374,400	1,685,718	2,928,976
7,247,144	6,326,544	920,600	Community Services	8,057,221	5,538,180	2,519,041	12,079,773
294,070	287,570	6,500	Economic Services	2,897	836,220	(833,323)	(9,150,797)
		927,100		8,060,118	6,374,400	1,685,718	2,928,976
		(2,190,267)	Appropriations for the year			(134,539)	
		(1,263,167)	**Net surplus for the year**			1,551,179	
			Accumulated surplus:				
		956,361	Beginning of the year			(306,806)	
			Accumulated surplus:				
		(306,806)	**END OF THE YEAR**			1,244,373	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006	2005
CASH (UTILISED)/RETAINED FROM OPERATING ACTIVITIES		3,266,236	1,950,477
Cash utilised by operations	12	1,875,924	8,129,018
Investment Income		2,004	13,213
Investment Paid		-	(2,557)
(Increase)/Decrease in working capital	13	1,388,308	960,435
Cash available /(utilised) from operations		3,266,236	9,100,109
Cash contributions from public and the State	18	-	(7,149,632)
Net proceeds on disposal of fixed assets			
CASH UTILISED IN INVESTING ACTIVITIES			
(Increase)/Decrease in fixed asset additions	2	(134,539)	(2,190,267)
NET CASH INFLOW		3,131,697	(239,790)
CASH EFFECTS OF FINANCING ACTIVITIES			
Decrease/(Increase) in cash investments	17	142,439	396,809
(Increase)/ Decrease in cash and cash equivalents	14	(3,274,136)	(157,020)
Net Cash (Utilised)/Generated		(3,131,697)	239,789
Difference		**0**	**(1)**
		0	
		0	

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006 R	2005 R
1. STATUTORY FUNDS		
Capital Development Fund	538,889	538,889
Public Improvement Fund	142,719	142,719
	681,608	681,608
Refer to Appendix A		
2. FIXED ASSETS		
Fixed Asset at Beginning of the year	-	-
Capital Expenditure during the year	134,539	2,190,267
	134,539	2,190,267
Less: Adjustments		
Less: Loans redeemed and other capital receipts	134,539	2,190,267
	-	-
(Refer to appendix C)		
3. INVESTMENTS		
UNLISTED		
Other Investments	22,914	165,363
	22,914	165,363
4. DEBTORS		
Rates, Refuse Removal	288,878	207,463
Amount paid in advance	-	-
Other debtors	3,641,788	3,614,738
Provision for bad debts	1,406,461	19,136
	2,524,205	3,803,065
Provision for bad debts is estimated at the rate of 2.968% per annum, to the total balance of rates debtors outstanding at year end.		

"NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006
CONTINUED"

		2006 R	2005 R
5.	**PROVISIONS**		
	Audit Fees	265,298	73,088
	Provision for Salaries	354,975	354,975
		620,273	428,063
6.	**CREDITORS**		
	Trade and Other Creditors	3,432,020	3,350,011
	Deposits		
		3,432,020	3,350,011
	The amount of trade creditors include the balance of the unutilised conditional gants to the value of R 556 698		
7.	**ASSESSMENT RATES**		
	Land		15,257
	Dwellings	96,059	5,147
	Business		7,602
		96,059	28,006
	Rates are levied on the basis of land usage. The rates applicable for the different property categories are as follows:		
	Land	99.80	99.80
	Dwellings	197.88	197.88
	Business	400.10	400.10
8.	**COUNCILLOR'S ALLOWANCE**		
	Mayor's Allowance	99,694	182,856
	Deputy Mayor's Allowance	-	
	Councillor's Allowance	279,000	271,819
		378,694	454,675

"NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006 CONTINUED"

	2006 R	2005 R
9. AUDITORS REMUNERATION		
Audit Fees	192,210	35,000
Under/Over Provision		
	192,210	35,000
10. FINANCIAL TRANSACTION		
Total external interest earned or paid		
-Interest earned	2,004	13,213
Interest Paid	-	2,557
Capital Charges debited to operating account:		
Interest:		
Internal		
Redemption:		
-Internal		
11. APPROPRIATIONS		
Appropriation Account:		
Accumulated surplus at the end of the year	(306,805)	956,361
Operating surplus for the year	1,685,718	927,101
Adjustments	(134,539)	(2,190,267)
	1,244,374	(306,805)
Operating Account:		
Capital Expenditure		-
Contributions to:	192,210	105,325
-Accounting Fee Provision	-	
-Salaries Provision	-	70,325
-Audit Fee Provision	192,210	35,000
-Capital Development Fund	-	-

"NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006 CONTINUED"

		2006 R	2005 R
12.	**CASH GENERATED BY OPERATIONS**		
	(Deficit)/Surplus for the year	1,685,718	927,101
	Adjustments in respect of:		
	Previous year's operating transaction	(134,539)	(2,190,267)
	Investment Income	(2,004)	(13,213)
	Interest Paid	-	2,557
	Appropriation charges against income	326,749	2,295,592
	Capital Development Fund	0	-
	Provision	192,210	105,325
	Fixed Assets	134,539	2,190,267
	Investment income (operating account)		
	Non operating expenditure		
	Expenditure charged against provision	-	(42,383)
	Administration subsidy	-	7,149,632
		1,875,924	8,129,019
13.	**(INCREASE)/DECREASE IN WORKING CAPITAL**		
	Increase/(Decrease) in creditors	82,009	565,009
	(Increase)/Decrease in debtors	1,278,860	434,723
		1,388,308	999,732
14.	**INCREASE/DECREASE IN CASH**		
	Cash balance at the beginning of the year	(157,020)	(341,305)
	Less: Cash balance at the end of the year	3,431,156	184,285
		3,274,136	(157,020)
15.	**CAPITAL DEVELOPMENT FUND**		
	Accumulated Funds	538,889	538,889
	Less: Internal Advances		
	Amount to be invested	538,889	538,889

(See appendix A and B for details)

"NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006 CONTINUED"

	2006 R	2005 R
16. PUBLIC IMPROVEMENT FUND		
Accumulated Fund	142,719	142,719
Less: Internal Advances		
Amount to be invested	142,719	142,719

(See appendix A and B for more details)

17. DECREASE/(INCREASE) IN CASH INVESTMENTS		
Investment balance at the beginning of the year	165,353	562,162
Less: Cash balance at the end of the year	22,914	165,353
	142,439	396,809

18. CASH CONTRIBUTIONS FROM THE PUBLIC AND THE STATE		
Administration	-	(7,149,632)
Loans redeemed and other capital receipts		
Contributions and interest on investment during the year	-	-
Adjustment in respect of expenditure during the year		
	-	(7,149,632)

APPENDIX A

STATUTORY FUNDS, RESERVES AND PROVISIONS

	Balance at 30 June 2005	Contributions During the year	Interest on Investment	Other Income	Expenditure During the year	Balance at 30 June 2006
STATUTORY FUNDS						
Capital Development Fund	538,889	0	0			538,889
Public Improvement Fund	142,719	0	0			142,719
	681,608	0	0	0	0	681,608
PROVISIONS						
Audit Fees	73,088	192,210				265,298
Accounting Fees	0	0				0
Provision for Salaries	354,975	0				354,975
	428,063	192,210	0	0	-	620,273

APPENDIX B

EXTERNAL AND INTERNAL ADVANCES

	Balance at 30 June 2005	Received During the year	Written off During the year	Balance at 30 June 2006
INTERNAL LOANS				
Capital Development Fund				-
Public Improvement Fund				-
	-	-	-	-

APPENDIX C

ANALYSIS OF FIXED ASSETS

Expenditure 2005 R		Budget 2005/2006 R	Balance at 30 June 2005 R	Expenditure at during theyear R	Transferred or Written off R	Balance at 30 June 2006 R
	RATES AND GENERAL SERVICES	-	12,608,315	134,539	-	12,742,854
2,190,267		-	12,608,315	134,539	-	12,742,854
1,366,068	**Community Services**		1,175,060	-		1,175,060
-	Community Hall					-
375,303	Plant, Vehicles, Furniture and Equipment		1,597,380			1,597,380
	Road fencing and signs		-			-
472,075	Roads and town planning		4,671,564			4,671,564
174,402	Civil Buildings		3,270,094	17,258		3,287,352
344,288	Community Centres		1,106,877	117,281		1,224,158
	Cemetary & community centres		17,273			17,273
	Sportsfield and clubhouse		770,067			770,067
	Economic Services					
824,199	Water Supply Schemes		-			-
	TOTAL FIXED ASSETS	-	12,608,315	134,539	-	12,742,854
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		12,608,315	134,539	-	12,742,854
	Loans Redeemed					-
	Contributions ex current income		892,599			892,599
	Grants and Subsidies		11,715,716	134,539		11,850,255
	NET FIXED ASSETS		-	-	-	-

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

2005 R Actual		2006 R Actual	2006 R Budget
	INCOME		
7,149,632	Grants and Subsidies:	7,520,287	7,475,287
4,196,487	Central Government	7,520,287	6,820,287
2,953,145	Provincial Government	-	655,000
391,582	Other Operating Income:	539,831	4,604,486
28,004	Assessment Rates	97,810	33,480
363,578	Other Service Charges	442,021	4,571,006
7,541,214	**TOTAL INCOME**	8,060,118	12,079,773
	EXPENDITURE		
5,048,426	Salaries and Wages and Allowances	3,357,193	3,489,063
1,537,459	General Expenses	2,958,744	1,285,555
28,228	Repairs and Maintenance	58,463	1,450,200
-	Capital Charges		
	Contribution to fixed assets		
	Contributions	-	2,925,979
6,614,113	**TOTAL EXPENDITURE**	6,374,400	9,150,797
	Less: Amount Charge Out		
927,101		1,685,718	2,928,976

APPENDIX E

DETAILED INCOME STATEMENT

2004 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ Deficit R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ Deficit R	2006 Budget R
7,541,214	6,614,114	927,100	**RATES AND GENERAL SERVICES**	8,060,118	6,374,400	1,685,718	2,928,976
7,247,144	6,326,544	920,600	**Community Services**	8,057,221	5,538,180	2,519,041	2,519,976
28,004		28,004	Assessment Rates	97,810	-	97,810	33,480
7,149,632		7,149,632	Administrative Subsidy	7,520,287	-	7,520,287	7,475,287
69,508	283,339	(213,831)	Other Services	439,124		439,124	2,584,006
	6,043,205	(6,043,205)	Council General Expenses		5,538,180	(5,538,180)	(7,572,797)
		-	Public Works			-	
		-	Town Planning			-	
		-	Commonage			-	
		-	Election Costs			-	
		-	Sundry			-	
294,070	287,570	6,500	**Economic Services**	2,897	836,220	(833,323)	409,000
		-	Electricity		-	-	
294,070	287,570	6,500	Water and Refuse	2,897	836,220	(833,323)	409,000
7,541,214	6,614,114	927,100	**TOTAL**	8,060,118	6,374,400	1,685,718	2,928,976
		(2,190,267)	Appropriations for the year			(134,539)	
		(1,263,167)	**Net surplus for the year**			1,685,718	
			Accumulated surplus:				
		956,361	Beginning of the year			(306,806)	
			Accumulated surplus:				
		(306,806)	**END OF THE YEAR**			1,244,373	

APPENDIX F

STATISTICAL INFORMATION

RATES/ASSESSMENT RATES

GENERAL STATISTICS	2006	2005
Population: Approximately	33000	13500
Rates are levied on the basis of land usage The rates applicable for each of the different categories are as follows:		
Land	99.80	99.80
Dwellings	197.88	197.88
Business	400.10	400.10
Number of employees at Municipality		26

WATER AND REFUSE REMOVAL

WATER STATISTICS	2006	2005
Impendle Municipality charges water and refuse removal on quarterly periods i.e. four times per year as from the beginning of the year.		
WATER CHARGES ARE AS FOLLOWS		
Minimum Water Charge	0	29
Water Meter Rental	0	15

REFUSE REMOVAL

Business Charges	70	63
Dwelliongs Charges	25	15